

GAO

Accounting and Information
Management Division

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Corporate Financial Audits Issue Area

Active Assignments



Foreword

This report was prepared primarily to inform Congressional members and key staff of ongoing assignments in the General Accounting Office's Corporate Financial Audits issue area. This report contains assignments that were ongoing as of July 6, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment. The report will be issued quarterly.

This report was compiled from information available in GAO's internal management information systems. Because the information was downloaded from computerized data bases intended for internal use, some information may appear in abbreviated form.

If you have questions or would like additional information about assignments listed, please contact Robert Gramling, Director, Corporate Financial Audits Issues on (202) 512-9406.

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Corporate Financial Audits

FINANCIAL CONDITION & PERFORMANCE

TITLE: HRA 1: RESOLUTION TRUST CORPORATION 1995 FINANCIAL STATEMENT AUDIT (917335)

BACKGROUND : RTC, which has a highly decentralized operating/reporting structure, was created by FIRREA to resolve troubled savings institutions which failed between 1/1/89 and 6/30/95. GAO is required to perform an annual audit of RTC's financial statements. As part of GAO's audit, to review internal controls and asset valuation estimates for RTC's 764 receiverships.

KEY QUESTIONS : (1) Are RTC's 1994 financial statements presented fairly in accordance with GAAP? (2) Are RTC and receivership internal controls effective in achieving management's objectives? (3) Does RTC comply with material provisions of applicable laws and regulations? (4) Do RTC's assets valuation procedures provide reasonable loss estimates and are they being followed?

TITLE: FEDERAL PENSION PLAN INFORMATION: SUMMARY DATA ON ALL FEDERAL PENSION PLANS' COVERAGE, FUNDING STATUS, ETC. (917621)

BACKGROUND : More than 30 pension plans, including some defined benefit plans, cover various federal employees. Public Law 95-595 requires these plans to report certain financial/actuarial data. A plan whose accumulated benefits exceed its assets, in the absence of provision to eliminate this underfunding, may pose a risk to retiree income.

KEY QUESTIONS : 1. What is each plan's scope of coverage (e.g., employees of a particular agency)? 2. How many active and retired participants are covered? 3. What is each plan's funding status (accumulated benefits in relation to available assets)? 4. What are the plans' benefit provisions (e.g., basic pension calculation, COLAs, unique provisions)?

TITLE: PENSION BENEFIT GUARANTY CORPORATION - TRANSITION TO INSPECTOR GENERAL AS ITS AUDITOR OF RECORD (917625)

BACKGROUND : PBGC's IG is contracting with a CPA firm for the FY 1995 audit. GAO, the predecessor auditors, committed to work with the IG, the IG's contractors, and PBGC to help ensure a successful transition for this complex audit. GAO opined on PBGC's FY 1994 and 1993 financial statements, and PBGC continues to address weaknesses in financial systems and internal controls.

KEY QUESTIONS : We will provide background information, evidence supporting prior year-end balances, complex audit and accounting issues, and other matters of continuing significance to the successor auditors to minimize the cost to the government.

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FINANCIAL CONDITION & PERFORMANCE

TITLE: 1995 FINANCIAL AUDIT OF THE PANAMA CANAL COMMISSION (917665)

BACKGROUND : The Panama Canal Commission (PCC) is a federal agency established to carry out the responsibilities of the U.S. with respect to the Panama Canal Treaty of 1977. PCC will operate the canal until the treaty terminates on 12-31-99, when the Republic of Panama assumes control. The Panama Canal Act of 1979 requires GAO to conduct annual audits.

KEY QUESTIONS : (1) Are the 1995 financial statements reliable in all material respects? (2) Are the internal controls effective in protecting assets and in assuring material compliance with budget authority and with material laws and regulations?

TITLE: AUDIT OF THE 1995 FINANCIAL STATEMENTS OF THE THREE FUNDS ADMINISTERED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (917705)

BACKGROUND : The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) created the Bank Insurance Fund (BIF), Savings Association Insurance Fund (SAIF), and FSLIC Resolution Fund (FRF) and appointed FDIC their administrator. Additionally, FIRREA requires GAO to annually audit each of the three funds.

KEY QUESTIONS : (1) Are BIF's, SAIF's, and FRF's 1995 and 1994 financial statements fairly presented in accordance with generally accepted accounting principles? (2) Are FDIC's internal controls operating effectively at December 31, 1995? (3) Are there instances of material noncompliance with applicable laws and regulations?

TITLE: AUDIT OF FEDERAL RESERVE BANK OF DALLAS - 1994 (917760)

BACKGROUND : Questions have arisen related to the independence of the Federal Reserve System auditors when conducting audits of Federal Reserve Banks. We have been requested to audit the balance sheet of one Federal Reserve Bank.

KEY QUESTIONS : (1) Is the balance sheet of the Federal Reserve Bank of Dallas fairly presented in all material respects in accordance with the Federal Reserve's accounting manual as of December 31, 1994? (2) Are management's assertions regarding the effectiveness of internal controls and compliance with certain provisions of laws and regulations appropriate?

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INTERNAL CONTROL SYSTEMS' ADEQUACY

TITLE: FDIC'S 1994 FINANCIAL STATEMENT AUDIT MANAGEMENT LETTER ON EDP SYSTEMS SECURITY (917694)

BACKGROUND : FDIC administers the Bank Insurance Fund, the Savings Association Insurance Fund, and the FSLIC Resolution Fund. During the course of our 1994 financial audits of the three funds, we identified deficiencies in FDIC's accounting procedures and internal controls that, while not reportable conditions, nonetheless warrant FDIC management's attention.

KEY QUESTIONS : (1) Do FDIC's mainframe system general controls enhance the effectiveness of its system of internal controls in safeguarding assets; assuring the execution of transactions in accordance with management authority, and properly recording, processing, and summarizing transactions? (2) Do FDIC's EDP security controls ensure system integrity?

TITLE: RTC'S 1994 MANAGEMENT LETTER (917695)

BACKGROUND : RTC was created by FIRREA to manage and resolve all troubled institutions which failed between 1/1/89 and 6/30/95. GAO recently completed our audit of RTC's 1994 financial statements and internal controls and we identified weaknesses in RTC's accounting procedures and internal controls which should be formally communicated to RTC's management.

KEY QUESTIONS : (1) What weaknesses in RTC accounting policies and internal controls should be communicated to RTC management?

OTHER ISSUE AREA WORK

TITLE: EVALUATION OF EFFORTS TO IMPROVE ACCOUNTING AND AUDITING STANDARDS AND THE PERFORMANCE OF INDEPENDENT AUDITORS (917641)

BACKGROUND : Congress is considering legislation that would change the professional responsibilities and liabilities of independent auditors. To assist Congress, the Subcommittee requests that GAO evaluate and report on efforts since 1975 to improve accounting and auditing standards and the performance of independent auditors.

KEY QUESTIONS : (1) What recommendations have been made and actions have been taken since 1975 to improve standard setting and the performance of auditors? (2) What issues remain concerning the accounting profession, and what is the significance of these issues on audit quality? (3) What is the significance of the liability issue facing the accounting profession?

Corporate Financial Audits

OTHER ISSUE AREA WORK

TITLE: DERIVATIVES' ACCOUNTING AND INTERNAL CONTROL ISSUES (917682)

BACKGROUND : Major voids and inconsistencies exist in accounting standards for derivatives, while their volume and complexity continues to grow. GGD's has reported on derivatives which focused on the major market-makers. The focus of this job will be on banks/thrifts who are end-users. Banks/thrifts primarily use derivatives to hedge against fluctuations in interest rates.

KEY QUESTIONS : For banks/thrifts who are end-users of derivatives: (1) Are regulators adequately assessing the risks of derivative activities? (2) Are internal control systems adequate to manage risks of derivatives? (3) Are accounting practices reflective of the true substance of derivative activities? (4) Are risks of derivative activities adequately disclosed in reports to investors/regulators?

